

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$25,999,900 or 10.60% in the year 2021, by \$9,752,500 or 3.59% in the year 2022, and by \$10,754,500 or 3.82% in the year 2023.

Application 19-07-____
(Filed July 1, 2019)

**APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY (U210W) TO
INCREASE REVENUES IN EACH OF ITS DISTRICTS STATEWIDE**

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Date: July 1, 2019

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**APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY (U210W) TO
INCREASE REVENUES IN EACH OF ITS DISTRICTS STATEWIDE**

Pursuant to Section 454 of the Public Utilities Code, Rule 3.2 of the Commission’s Rules of Practice and Procedure (“Rules”), and as directed by the California Public Utilities Commission (“Commission”) under the Rate Case Plan for Class A Water Companies (“Rate Case Plan”) adopted in Decision (“D.”) 07-05-062, California-American Water Company (“California American Water” or “Applicant”) respectfully submits its Application to increase rates for water and/or wastewater service in each of its districts statewide. California American Water has spent considerable time and effort in developing its requests in this general rate case (“GRC”), with the primary focus on providing our customers with safe, reliable, water and wastewater service. California American Water’s focus in this GRC includes: (1) balancing the need for system improvements with what our customers pay for water service, all while working with regulators on efforts to support operational excellence and efficiency; (2) ensuring water and wastewater systems are sufficiently designed, operated and financed to provide safe and reliable services to all customers; (3) working to address emerging trends and threats, including wildfire and climate change, and being adaptive and forward-looking in order build and operate a

more resilient system; and (4) addressing issues of affordability through proposals for rate consolidation, low-income ratepayer assistance programs, and hardship funds.

1. SUMMARY OF REQUESTED REVENUE REQUIREMENT AND RATE BASE CHANGES [RATE CASE PLAN MINIMUM DATA REQUIREMENTS SECTION LA]

Pursuant to Section 451 *et seq.* of the California Public Utilities Code, California American Water seeks a general increase in rates for water and/or wastewater service in its consolidated divisions/individual districts¹ in order to realize the increased revenue in **Table 1** below.²

TABLE 1

Northern Division			
District/Area	Year	Revenue Increase (in 000's)	Percentage Increase
Northern Division	2021	\$5,588.1	8.36%
	2022	\$4,144.2	5.71%
	2023	\$3,828.0	4.99%

¹ California American Water’s individual divisions/districts are as follows: 1) Northern Division, 2) Central Division, 3) Monterey Wastewater, 4) Los Angeles County, 5) San Diego County and 6) Ventura County.

² California American Water anticipates that, subsequent to the filing of the Application and prior to the issuance of a decision by the Commission, it may file one or more advice letter request related to offset unanticipated increases in expenses that may be incurred by any of California American Water’s respective districts, or to file one or more advice letters requesting recovery of captured balancing in its various memorandum or balancing accounts. Any such offset rate increases requested by advice letter will be in addition to the increase in rates requested in the Application.

Central Division			
District/Area	Year	Revenue Increase (in 000's)	Percentage Increase
Central Division	2021	\$2,985.3	4.35%
	2022	\$2,916.5	4.07%
	2023	\$2,483.0	3.33%

Monterey Wastewater	2021	\$531.7	16.00%
	2022	\$120.4	3.13%
	2023	\$128.5	3.24%

Southern Division - Consolidated			
District/Area	Year	Revenue Increase (in 000's)	Percentage Increase
Southern Division Consolidated	2021	\$16,894.8	15.88%
	2022	\$2,571.4	2.08%
	2023	\$4,314.9	3.42%

Southern Division – Stand Alone³			
District/Area	Year	Revenue Increase (in 000's)	Percentage Increase
Los Angeles County	2021	\$7,135.9	18.59%
	2022	\$1,434.0	3.15%
	2023	\$2,374.9	5.06%
San Diego County	2021	\$3,510.6	11.56%

³ This is presented on a stand-alone basis and approximately equals the Southern Division in total but may not equal individual bill increases on a consolidated basis.

	2022	\$1,308.4	3.85%
	2023	\$894.7	2.54%
Ventura County	2021	\$6,191.5	16.44%
	2022	(\$224.2)	-0.51%
	2023	\$1,098.6	2.51%

Table 2 compares the proposed amounts to the last adopted and last recorded amounts to show the difference in dollars and percentages by districts to show the difference in dollars and percentages by district.

TABLE 2

Northern Division				
District/ Area	Category	Last Test Year	Last Recorded	Proposed Test Year
Northern Division	Total Rev. Req. (\$, in 000's)	\$57,730.8	\$55,220.2	\$72,462.6
	Rate Base (\$, in 000's)	\$174,002.8	\$187,617.9	\$215,728.4
	Rate Base (%)	N/A	7.82%	23.98%
	Operating Exp. (\$, in 000's)	\$29,667.8	\$28,168.2	\$37,706.7
	Operating Exp. (%)	N/A	(5.05)%	27.1%
	Rate of Return	7.61%	6.19%	7.61%

Central Division				
District/ Area	Category	Last Test Year	Last Recorded	Proposed Test Year
Monterey County	Total Rev. Req. (\$, in 000's)	\$60,199.8	\$52,563.0	\$71,615.1
	Rate Base (\$, in 000's)	\$152,259.8	\$165,074.0	\$228,722.8
	Rate Base (%)	N/A	8.42%	50.25%
	Operating Exp. (\$, in 000's)	\$36,328.9	\$27,555.8	\$38,065.0
	Operating Exp. (%)	N/A	(24.15)%	4.78%
	Rate of Return	7.61%	7.52%	7.61%

Monterey Wastewater	Total Rev. Req. (\$, in 000's)	\$3,325.7	\$3,348.4	\$3,855.2
	Rate Base (\$, in 000's)	\$2,182.2	\$ 2,891.4	\$3,156.1
	Rate Base (%)	N/A	32.50%	44.63%
	Operating Exp. (\$, in 000's)	\$2,716.1	\$2,579.2	\$3,164.5
	Operating Exp. (%)	N/A	(5.04)%	16.51%
	Rate of Return	7.61%	12.27%	7.61%

Southern Division - Consolidated				
District/ Area	Category	Last Test Year	Last Recorded	Proposed Test Year
Southern	Total Rev. Req. (\$, in 000's)	\$102,874.5	\$98,257.6	\$123,306.2
	Rate Base (\$, in 000's)	\$160,960.7	\$164,198.5	\$239,880.0
	Rate Base (%)	N/A	(3.23)%	41.36%
	Operating Exp. (\$, in 000's)	\$77,417.0	\$76,498.6	\$89,311.4
	Operating Exp. (%)	N/A	(1.18)%	15.37%
	Rate of Return	7.61%	6.34%	7.61%

Southern Division – Stand Alone				
District/ Area	Category	Last Test Year	Last Recorded	Proposed Test Year
Los Angeles County	Total Rev. Req. (\$, in 000's)	\$34,445.9	\$32,988.9	\$45,516.6
	Rate Base (\$, in 000's)	\$93,546.3	\$89,956.6	\$134,297.7
	Rate Base (%)	N/A	(3.84) %	43.56 %
	Operating Exp. (\$, in 000's)	\$20,509.1	\$19,784.6	\$26,664.9
	Operating Exp. (%)	N/A	(3.53) %	30.01%
	Rate of Return	7.61%	7.55%	7.61%
San Diego County	Total Rev. Req. (\$, in 000's)	\$30,933.1	\$30,203.0	\$33,870.5
	Rate Base (\$, in 000's)	\$25,906.5	\$23,566.8	\$41,565.4
	Rate Base (%)	N/A	(9.03)%	60.44%
	Operating Exp. (\$, in 000's)	\$26,992.2	\$26,591.0	\$28,089.2
	Operating Exp. (%)	N/A	(1.49) %	4.06%
	Rate of Return	7.61%	7.55%	7.61%
Ventura County	Total Rev. Req. (\$, in 000's)	\$37,495.5	\$35,065.7	\$43,862.3
	Rate Base (\$, in 000's)	\$50,237.9	\$50,675.1	\$63,469.8
	Rate Base (%)	N/A	0.87 %	26.34 %
	Operating Exp. (\$, in 000's)	\$29,915.7	\$30,123.0	\$34,557.3
	Operating Exp. (%)	N/A	0.69 %	15.52 %
	Rate of Return	7.61%	3.62%	7.61%

2. NECESSITY FOR GENERAL RATE RELIEF AND PRIMARY COST INCREASES [RATE CASE PLAN MINIMUM DATA REQUIREMENTS SECTION I.B]

California American Water's main focus is our customers. In order to accomplish the customer-centric goals in this GRC, California American Water asks the Commission to take into account the collective proposals set forth in the Application and supporting testimony. California American Water understands the need to invest in capital to maintain and improve reliability and plan for future customer needs. This understanding is reflected in the overall request made in this Application.

Authorizing the requests made in this Application not only accomplishes the customer-centric goals outlined above, it also serves the public interest. The request outlined herein will further the Commission and State's water goals and will result in the streamlining of Commission decision-making.

On a company aggregate basis, the main drivers of the rate increase are necessary support for new capital investment (\$13.6M), increased labor expense (\$5.7M), increased depreciation expense (\$5.6M), increasing administrative and general expense (\$2.0M), and increasing operations and maintenance expense (\$1.5M). These cost drivers are offset in part by decreasing costs in other areas and/or by increased revenues from acquisitions, increased sales, and organic customer growth.

As required by the Rate Case Plan, California American Water includes a summary of the primary factors behind its request for increased rates in this Application by district.

a. Northern Division

The Northern Division is made up of the Sacramento District, to which the Larkfield, Meadowbrook and several other small service areas have been incorporated into for operational

and rate base/revenue requirement ratemaking purposes.⁴ The main drivers of the proposed rate increase of \$5.6 million are necessary support for new capital investment (\$5.0M), increased depreciation expense (\$2.9M), increased labor expense (\$2.4M), increasing administrative and general expense (\$2.1M), and increasing general taxes. These cost drivers are offset in part by decreasing costs in other areas and/or by increased revenues from acquisitions, increased sales, and organic customer growth.

b. Central Division

The Central Division is made up of the Monterey County District, the Central Satellites,⁵ and the Monterey Wastewater District.

i. Monterey County District

The main drivers of the proposed rate increase of \$3.0 million are necessary support for new capital investment (\$2.3M), increased labor expense (\$1.8M), increased depreciation expense (\$1.0M), increasing operations and administrative expense (\$0.7M) and increasing production costs (\$0.5M). These cost drivers are offset in part by decreasing costs in other areas.

ii. Monterey Wastewater District

The main drivers of the proposed rate increase of \$532K are increased labor expense (\$183K), increased treatment costs (\$81K) necessary support for new capital investment (\$79K),

⁴ In its Special Request #8 described below and further in the Direct Testimony of Jeffrey Linam, California American Water is requesting that certain elements of the approved consolidation of Meadowbrook customers onto the Northern Division tariff and rates be delayed until 2024 in order to mitigate the rate impact. However, California American Water is not seeking to change the consolidation of the revenue requirement for the Meadowbrook district. It does not seek to change the inclusion of the Meadowbrook customers under the Northern Division WRAM/MCBA. Lastly, it is not seeking to change the other Northern Division tariff provisions that apply to customers in Meadowbrook, including the consolidated low income, conservation, CEBA and fire protection provisions.

⁵ Pursuant to D.18-12-021, the Ambler, Toro, Ralph Lane, and Garrapata systems have been consolidated into the Monterey County District for ratemaking and tariff purposes.

and increasing administrative and general expenses (\$54K).. These cost drivers are offset in part by decreasing costs in other areas.

c. Southern Division

The Southern Division is made up of the Los Angeles County, San Diego County, and Ventura County Districts. The main drivers of the proposed rate increase of \$16.9 million are necessary support for new capital investment (\$6.1M), increasing operations and maintenance expense (\$1.8M), increased depreciation expense (\$1.6M), increased labor expense (\$1.3M), and increasing administrative and general expense (\$1.2M). These cost drivers are offset in part by decreasing costs in other areas and/or by increased revenues from new customers and increased sales.

i. Los Angeles County District

The main drivers of the proposed rate increase of \$7.1 million are necessary support for new capital investment (\$3.4M), increased depreciation expense (\$0.8M), increased production costs (\$0.8M), increased labor expense (\$0.7M), and increasing administrative and general expense (\$0.6M).

ii. San Diego County District

The main drivers of the proposed rate increase of \$3.5 million are necessary support for new capital investment (\$1.3M), increasing administrative and general expenses (\$0.3M), increased depreciation expense (\$0.3M), increased labor expense (\$0.2M), and increasing operations and administrative expense (\$0.1M).

iii. Ventura County District

The main drivers of the proposed rate increase of \$6.2 million are increasing operations and maintenance expenses (\$1.8M), necessary support for new capital investment (\$1.3M),

increased depreciation expense (\$0.6M), increased labor expense (\$0.3M), and increasing general taxes (\$0.3M).

3. OTHER REQUESTS AND RECOMMENDATIONS

a. Special Request No. 1: Southern Division Tariff Area Consolidation

California American Water requests authorization to consolidate its Los Angeles County, Ventura County and San Diego County Districts together for ratemaking purposes to create a single Southern Division tariff area. Jeffrey Linam's testimony supports this special request.

b. Special Request No. 2: Catastrophic Event Cost Impact Normalization

California American Water requests authorization to recover costs associated with recent and future catastrophic event costs on a statewide basis. Jeffrey Linam's testimony supports this special request.

c. Special Request No. 3: Acquisition Support for Purchased Water Systems

California American Water requests authorization to establish the Acquisition Contingency Memorandum Account, which would record the differences between revenues billed at current rates based on pre-acquisition rate base for customers of acquired water system and revenues that would have been billed based on the new, post-acquisition rate base and revenue requirement, to be applicable to any acquisition subsequently approved by the Commission after a decision is issued in this GRC. Jeffrey Linam's testimony supports this special request.

d. Special Request No. 4: Leak Adjustment Policy and Recovery

California American Water requests authorization to continue its leak adjustment policy, but to move recovery of leak adjustments into the Water Revenue Adjustment Mechanism

(“WRAM”) and to close the existing Leak Adjustment Memo Account. Jeffrey Linam’s testimony supports this special request.

e. **Special Request No. 5: Modification of 15% Cap on WRAM/MCBA**

Amortization

California American Water requests authorization for the current 15% cap on the annual amortization of the Water Revenue Adjustment Mechanism and the Modified Cost Balancing Account (“WRAM/MCBA”), authorized by D.18-12-021, to be increased to 25% effective for balances amortized after January 1, 2021. Jeffrey Linam’s testimony supports this special request.

f. **Special Request No. 6: Incentivizing Taxable Grants, Advances and**

Contributions

California American Water requests authorization to recover the federal tax imposed upon contributions-in-aid-of-construction and advances for construction pursuant to the 2017 Tax Cut and Jobs Act through rate base and, to the extent that grants received are taxable, that the tax portion be included in rate base. Jeffrey Linam’s testimony supports this special request.

g. **Special Request No. 7: Alignment and Simplification of District Specific**

Tariffs

California American Water requests authorization to reduce the number of WRAM/MCBAs from the current 11 today down to 4 to better align with its current and proposed consolidated tariffs. Jeffrey Linam’s testimony supports this special request.

h. Special Request No. 8: Meadowbrook Rate Design Consolidation Deferral

California American Water requests authorization to delay certain elements of the approved consolidation of Meadowbrook customers onto the Northern Division tariff and rates in order to mitigate the rate impact. Jeffrey Linam's testimony supports this special request.

i. Special Request No. 9: Rate Case Expense Recovery

California American Water requests authorization to amortize the authorized level of rate case expense over 27 months instead of 36, specifically that the recovery be authorized for 3 months of the Test Year with the remaining amount recovered equally in the Escalation and Attrition years. Jeffrey Linam's testimony supports this special request.

j. Special Request No. 10: Subsequent Rate Changes

California American Water requests authorization to incorporate into new rates any rate changes that occur after this proceeding opens, and acknowledges that these changes will also need to be placed into present rates for the determination of the actual rate increase caused by this application. Jeffrey Linam's testimony supports this special request.

k. Special Request No. 11: Acquisition Revenue Requirement Normalization

California American Water requests authorization to normalize the rate base of the four acquisitions by spreading the utility plant acquisition adjustment related to these acquisitions statewide either partially, as is the case with the Bellflower Municipal Water System acquisition, or entirely, as is the case with the Rio Plaza Water Company, Fruitridge Vista Water Company, and Hillview Water Company acquisitions. Jeffrey Linam's testimony supports this special request.

l. Special Request No. 12: Annual Consumption Adjustment Mechanism

California American Water requests authorization to make permanent the Annual Consumption Adjustment Mechanism in the Monterey County District and to request a similar pilot program for the Northern Division. Jeffrey Linam's testimony supports this special request.

m. Special Request No. 13: Consolidating Conservation Program Statewide

California American Water requests authorization to consolidate its Conservation program into a statewide, rather than district, funded program where up to 50% of individually authorized conservation budget funds can be shifted between the various Company's service areas. Patrick Pilz's testimony supports this special request.

n. Special Request No. 14: Elimination of Duplicative or Unnecessary Reporting

California American Water requests authorization to cease (1) making the Monterey District rebate and audit reports required by D.09-05-029, and (2) the customer complaint reports required by D.06-11-050. Patrick Pilz's testimony supports this special request.

o. Special Request No. 15: Proposed Operational Tariff Modifications

California American Water requests authorization for operational tariff modifications intended to improve the customer experience by clarifying responsibilities between the customer and Applicant and by reducing inequities between customers. Garry Hofer's testimony supports this special request.

p. Special Request No. 16: Lead Service Line Replacement Program

California American Water requests authorization to create a Lead Service Line Replacement Program as part of its ongoing main replacement program that would replace the entire lead portion of the service line (both Company and customer-owned) when service lines containing lead are discovered. Garry Hofer's testimony supports this special request.

q. Special Request No. 17: Monterey Wastewater High Cost Fund

California American Water requests authorization to establish a high-cost fund to offset the high monthly cost of active wastewater service in the Monterey Waste Water District.

Jeffrey Linam’s testimony supports this special request.

4. ISSUES OF CONTROVERSY [RATE CASE PLAN MINIMUM DATA REQUIREMENTS SECTION I.C]

The Rate Case Plan requires California American Water to identify any “contentious issues.”⁶ Below California American Water describes the contention issues, shows the estimated revenue requirement impact of each issue, and indicates the testimony that provides additional support and/or information about the issue. As required by Rule 2.1(c) of the Commission’s Rules of Practice and Procedure, California American Water will also address safety considerations.

a. Contentious Issues

i. Consolidation

California American Water is seeking to consolidate its Los Angeles County, Ventura County and San Diego County Districts together for ratemaking purposes. This would create a single Southern California Division tariff area. Consolidating rates as California American Water has proposed is in the public interest. Such consolidated rates will be more effective than the current (more geographically narrow rate structure) at meeting the Commission’s Water Action Plan policy goals and delivering the best, most efficient service to the largest number of customers at the lowest overall rates. Benefits of a more consolidated system of rates include: (1) improved affordability; (2) utilization of economies of scale to address water quality

⁶ D.07-05-062, Appendix, p. A-22.

challenges; (3) more robust and resilient systems through broadening of the customer base; and (4) improved incentives for customers to conserve through strengthening of conservation signaling.

Additionally, California American Water has several pending applications before the Commission for the acquisition of water systems (including for the Bellflower, Fruitridge, and Hillview systems), and a recently approved acquisition of a water system (for Rio Plaza). California American Water is requesting Commission authorization to normalize the rate base of the four acquisitions by spreading the utility plant acquisition adjustment related to these acquisitions statewide either partially, as is the case with the Bellflower acquisition, or entirely as is the case with the Rio Plaza, Fruitridge, and Hillview acquisitions. California American Water is also requesting authorization to establish the Acquisition Contingency Memorandum Account, which would record the differences between revenues billed at current rates based on pre-acquisition rate base for customers of acquired water system and revenues that would have been billed based on the new, post-acquisition rate base and revenue requirement, to be applicable to any acquisition subsequently approved by the Commission after a decision is issued in this GRC. California American Water is also requesting Commission authorization to normalize the rate base of the four acquisitions by spreading the utility plant acquisition adjustment related to these acquisitions statewide. These special requests relating to acquisitions would help to facilitate consolidation of water system in line with Commission and State policy goals.

These issues are addressed in the Direct Testimony of Jeffrey Linam. Because these issues relate to how cost recovery occurs, and not the magnitude of cost recovery, there is no associated revenue impact.

ii. Advanced Metering Infrastructure

California American Water is proposing to implement a two-way advanced metering infrastructure (“AMI”) system in two of its service areas: Ventura County and Central Division. These service areas encompass approximately 62,000 residential, commercial, and industrial retail water customers. California American Water is proposing this AMI deployment to enhance customer service and improve operational efficiency. AMI will provide customers with proactive leak alerts and assist customers in managing their bill cost. To fund the AMI Plan California American Water is proposing the capital and O&M costs associated with the implementation, operation, and maintenance of the AMI system be included as part of its current general rate case before the Commission. This issue is discussed in the Direct Testimony of Garry Hofer. The revenue requirement impact of this issue is \$3.7 million.

iii. Revenue Recovery and Sales Forecasting Mechanisms

California American Water requests authorization for the current 15% cap on the annual amortization of the WRAM/MCBA, authorized by D.18-12-021, be increased to 25% effective for balances amortized after January 1, 2021. This would allow the significant under-collected balances that have remained for years to finally be collected, while mitigating rate impacts. California American Water believes that reversion back to the 10% cap increases the likelihood of intergenerational inequities for customers and will significantly limit the timely recovery of WRAM/MCBA balances, which represent cash that the Company cannot reinvest back in the business until surcharged are collected.

Additionally, California American Water is requesting authorization to make permanent the Annual Consumption Adjustment Mechanism (“ACAM”) in the Monterey District and to request a similar pilot program for the Northern Division. California American Water believes

that adjusting rates for the most recent consumption is needed to reduce the likelihood of large under or over collected WRAM/MCBA balances, is consistent with the long-standing approach for energy utilities and is supported by the results of the ACAM in its Monterey District.

The consumption forecasting and revenue recovery issue is addressed in the Direct Testimony of Bahman Pourtaherian. The request regarding the WRAM/MCBA is addressed in the Direct Testimony of Jeffrey Linam. The ACAM issue is also addressed in the Direct Testimony of Jeffrey Linam. Because of the many variables of these proposals, the revenue requirement impact is not accurately quantifiable at this time.

iv. Incentivizing Taxable Grants, Contributions and Advances

California American Water requests Commission approval to recover the federal tax imposed upon contributions-in-aid-of-construction and advances for construction pursuant to the 2017 Tax Cut and Jobs Act through rate base. Additionally, California American Water requests that to the extent that grants received are taxable that the tax portion be included in rate base. Specifically, California American Water is proposing that Method 3 as described in D.87-09-026 be used for grants, contributions and advances instead of Method 5. Method 3, as described in D.87-09-026, would allow California American Water to rate base the tax paid on all grants, contributions and advances and not impose a tax cost of future grants, contributions and advances on the contributor. Method 3, as noted in D.87-09-026, is the best approach as it seeks recovery of the tax paid by the utility over the life of the property. The biggest concern about the continued use of Method 5 is that now all advances and contributions are taxable, and not just the small cost of the service installation. This means that developers, customers and others contributing or advancing plant or capital for plant to a utility will now be paying a very substantial increase in the gross-up amount making the cost of development – or replacement,

much more of a burden. This exceptional additional burden on customers and developers may have a very chilling effect in their desire to build facilities in the utilities service area. Therefore, the request to use Method 3 is warranted. This issue is addressed in the Direct Testimony of Jeffrey Linam.

b. Safety Considerations

California American Water has long been committed to employee and customer safety. Ensuring the health and safety of its employees and customers and protecting its product is the top priority for the Company and is critical to its success. With the safety of employees, customers, contractors, and the general public in mind, California American Water approaches safety with a focus on continuous improvement by implementing a proven safety management system. California American Water is also committed to securing assets across our system and recognizes the importance of protecting our water sources, treatment plants, infrastructure, and data from malevolent acts, demonstrated by its robust security and cyber security programs. Further discussion of California American Water's safety approaches, plans and programs can be found in the Direct Testimony of Garry Hofer.

California American Water is also addressing long-term safety through improvements of its system reliability and resiliency, including with respect to wildfire risk, other natural disasters, and the impacts of climate change. To accomplish these goals, California American Water has proposed a capital improvement plan aim at meeting the infrastructure needs to ensure our systems remain safe and reliable, established a new High Risk Asset Management Role within the engineering group, and sought costs to improve insurance coverage for certain infrastructure assets in response to earthquake risk. California American Water will also be completing a risk assessment and emergency response plan in compliance with the Water

Infrastructure Act of 2018. As part of the risk assessment and plan, California American Water addresses high-risk assets that may be impacted by wildfires. In addition to identifying critical infrastructure, California American Water will analyze what it can do to strengthen certain water assets in areas of service that abut the wildland-urban interface. Accordingly, these steps will help California American Water respond to the wildfire risk and work with local government, first responders, state agencies, and other regulated utilities on disaster preparedness. Further discussion of these efforts on long-term safety efforts can be found in the Direct Testimony of Richard C. Svindland. The Direct Testimony of Ian Crooks discusses California American Water's risk assessment and emergency response plan and associated capital projects. The request for earthquake insurance expenses as part of California American Water's Insurance Other Than Group expense is discussed in the Direct Testimony of Stephen Wes Owens.

5. PROPOSED NOTICE TO CUSTOMERS [RATE CASE PLAN MINIMUM DATA REQUIREMENTS SECTION I.D]

California American Water will serve a copy of the Application in accordance with Rule 3.2(b) and upon the attached service list.

In accordance with Rule 3.2(b), and within twenty days of the filing of the Application, California American Water will cause to be published once, in a newspaper of general circulation in the area served, a notice the general terms of the proposed increases. California American Water will submit proof of such publication to the Commission. California American Water has provided draft customers notices, included as **Exhibit C** to the Application, to the Public Advisors Office. California American Water will send notice of the Application to its customers in accordance with Rule 3.2(d).

6. ADDITIONAL REQUIRED INFORMATION

a. Description of Applicant [Rule 2.1(a) and Rule 2.2]

California American Water's exact legal name is California-American Water Company. California American Water, a California corporation organized under the laws of the State of California on December 7, 1965, is a Class A public utility water and wastewater company regulated by the Commission. California American Water provides regulated water and/or wastewater utility services in parts of San Diego, Los Angeles, Ventura, Monterey, Sonoma, Yolo, Sacramento, Merced, and Placer counties. California American Water's principal place of business is 655 W. Broadway, Suite 1410, San Diego, CA 92101-8494. Included as **Exhibit D** to this Application is a chart summarizing the corporate structure of California American Water, and its relationship with its parent company, American Water.

California American Water filed a certified copy of its articles of incorporation with the Commission on January 6, 1966 in Application 48170. California American Water filed a certified copy of an amendment to its articles of incorporation with the Commission on November 30, 1989, in Application 89-11-036. California American Water filed a certified copy of a further amendment to its articles of incorporation with the Commission on February 28, 2002, in Application 02-02-030. California American Water filed a certified copy of an additional amendment to its articles of incorporation with the Commission on April 3, 2017, in Application 17-04-003. Since the filing of A.17-04-003, California American Water has not subsequently amended its articles of incorporation.

None of the persons described in Section 2 of General Order 104-A has a material financial interests in any transaction involving the purchase of materials or equipment or the contracting, arranging, or paying for construction, maintenance work, or service of any kind of which the Company has been a party during the period subsequent to the filing of California

American Water's last Annual Report with this Commission or to which California American Water proposed to become a party at the conclusion of the year covered by said Annual Report.

b. Application Correspondence [Rule 2.1(b)]

California American Water requests that copies of all communications and correspondence regarding this Application be sent to:

Sarah E. Leeper
Nicholas A. Subias
Cathy Hongola-Baptista
California-American Water Company
555 Montgomery Street, Suite 816
San Francisco, CA 94111
Tel: (415) 863-2960
Fax: (415) 397-1586
Email: sarah.leeper@amwater.com

With copies sent to:

Lori Anne Dolqueist
Nossaman LLP
50 California Street 34th Floor
San Francisco, CA 94111
Tel: (415) 398-3600
Fax: (415) 398-2438
Email: ldolqueist@nossaman.com

c. Category, Hearing, Issues, and Proposed Schedule [Rule 2.1(c)]

California American Water proposes the category for this proceeding is ratemaking.

Evidentiary hearings will likely be necessary to address factual disputes on material issues, such as water sales and operating revenues, operation and maintenance expenses, utility plant, rate base, taxes, and revenue requirement.

The issue in this proceeding is whether California American Water's proposed revenue requirement and associated rate and related requests are "just and reasonable" as required by Section 451 of the Public Utilities Code. The Rate Case Plan also requires California American

Water to identify any contentious issues, which have been summarized above in Section 4 of the Application. California American Water also addresses relevant safety considerations in Section 4 of the Application above, as required by Rule 2.1(c).

The Commission’s Rate Case Plan sets the schedule for general rate case applications of Class A water utilities. Table 3 below is a proposed schedule for this proceeding, which California American Water based on the Rate Case Plan.

TABLE 3

Event	20-Month Schedule (Day)	Dates⁷
Application Filed/Testimony Served	0	July 1, 2019
Prehearing Conference Start Date	10-75	
Update of Applicant’s Showing	100	October 9, 2019
Public Participation Hearings	10-190	
Public Advocates Office Testimony	204	January 21, 2020
Other Parties Serve Testimony	218	February 4, 2020
Rebuttal Testimony	264	March 23, 2020
ADR Processes or Settlement Begins	270-290	
Evidentiary Hearings	290-310	
Opening Briefs Filed and Served	340	June 5, 2020
Motion for Interim Rates	340	June 5, 2020
Mandatory Status Conference	341	June 8, 2020
Reply Briefs Filed and Served (Including Comparison Exhibit)	350	June 15, 2020
Water Division Technical Conference	370	July 6, 2020
Proposed Decision Mailed	460	October 5, 2020
Comments on Proposed Decision	480	October 23, 2020

⁷ For each date that falls on a Saturday, Sunday, holiday or other day when the Commission offices are closed, the date listed in Table 3 is the first day thereafter pursuant to Rule 1.15.

Reply Comments	485	October 28, 2020
Commission Meeting	500	November 2020

7. SUPPORT FOR THE APPLICATION

In support of its rate request, California American Water will rely upon the Application, exhibits, work papers, Minimum Data Requirements, and other data response, copies of which have been or will be delivered the Public Advocates Offices and Commission staff. California American Water will also provide written and oral direct and rebuttal testimony in support of its requests.

a. Exhibits

Annexed to this Application are the exhibits listed below, which California American Water submits in compliance with Rule 3.2(a) of the Commission’s Rules of Practice and Procedure.

- **Exhibit A** – Financial Information & Results of Operations
- **Exhibit B** – Minimum Data Requirements
- **Exhibit C** – Proposed Customer Notice
- **Exhibit D** – Corporate Structure Chart

b. Testimony

California American Water will serve and upload as supporting documents (but not file) direct testimony in support of this Application. Table 4 is an index of witnesses and testimony issues.

TABLE 4

Witness Name	Title	Subject of Testimony
Bowen, Nikole L.	American Water – Senior Manager of Regulatory Services	Ms. Bowen will address Service Company costs.
Cook, Christopher	California American Water –Central Division Director of Operations	Mr. Cook will address Central Division or Monterey-specific issues, and the Laguna Seca Subarea moratorium.
Crooks, Ian C.	California American Water – Vice President of Engineering	Mr. Crooks will address all engineering issues, including: Investment Projects (IP) projects, Strategic Capital Expenditure Plan (SCEP), tank painting, Comprehensive Planning Study (CPS)/ geographic information system (GIS) expenses, engineering overhead, recurring projects (RP) budgets, certain agreed-upon capital projects, and, and construction work in progress.
Dana, Jeffrey M.	California American Water – Vice President of Finance	Mr. Dana will address memorandum and balancing accounts, including: leak adjustment Memo Account (LAMA), Catastrophic Event Memorandum Account (CEMA) (Larkfield), and an adjustment for the Meadowbrook acquisition.
Hofer, Garry M.	California American Water – Vice President of Operations	Mr. Hofer will provide an operations overview, including: Advanced Metering Infrastructure (AMI), recycled water, operational tariff revisions (Special Request #15), lead service line replacement program (Special Request #16), labor and other employee-related expenses for operations, Annual Performance Plan (APP), Long Term Performance Plan (LTPP), headcount additions, certification adjustments, district operation and maintenance (O&M) costs, GO-103A compliance, organic customer growth in Placer and Larkfield, acquisition integration and operations issues, safety, climate change, cybersecurity, water quality, long-term water supply diversity, disaster response, water rights, and operational efficiency examples.

Witness Name	Title	Subject of Testimony
Linam, Jeffrey T.	California American Water – Vice President of Rates & Regulatory	Mr. Linam will address Special Requests #1-12, 17, connection to policy direction and interaction with other proceedings.
Mitchell, David	M.Cubed – Partner	Mr. Mitchell will address rate design, and demand forecasts and econometric models.
Mustich, Robert	Willis Towers Watson – Practice Leader, Executive Compensation	Mr. Mustich will address the Willis Towers Watson Total Compensation Study completed for California American Water.
Owens, Stephen (Wes)	California American Water – Director of Rates & Regulatory	Mr. Owens will provide an overall summary of the Application and address the Rate Case Plan Minimum Data Request content and referencing, Uniform System of Accounts (USoA) regulatory accounts for Operations and Maintenance (O&M) and Administrative and General (A&G) expenses, anticipated O&M costs for Advanced Metering Infrastructure (AMI), regulatory compliance issues, leak adjustments, lead service line replacement cost recovery, corporate headquarters transition, ratemaking integration of acquisitions, and used and useful facilities and land.
Pilz, Patrick	California American Water – Senior Manager of Field Operations	Mr. Pilz will address conservation programs, changes to Monterey Peninsula Water Management District (MPWMD)/California American Water programs, elimination of call center and other reports (Special Request #14), statewide conservation surcharge (Special Request #13), expansion of low income shut off fund or Hardship Assistance Program and efforts to expand penetration; bill redesign, new website and other customer service improvements.
Pourtaherian, Bahman	TalentBurst – Senior Regulatory Economist	Mr. Pourtaherian will address operating revenues, customer count, other revenues, consumption, production costs (purchased water, power, pump taxes, chemicals), Results of Operation (RO) model, rate base components, lead/lag and operational working

Witness Name	Title	Subject of Testimony
		capital, property taxes, rate design modeling and customer rates.
Rojas, Eric	California American Water – Foreperson	Mr. Rojas will provide supporting evidence to adopt a fair labor budget.
Svindland, Richard C.	California American Water – President	Mr. Svindland will address policy direction and witness responsibilities.
Wilde, John R.	American Water – Vice President of Tax	Mr. Wilde will address income taxes, deferred taxes, Tax Cuts and Jobs Act of 2017 (TCJA) memorandum account, the Annual Rate Adjustment Method (ARAM) and accumulated deferred income taxes (ADIT) recovery.

8. REQUEST FOR RELIEF

WHEREFORE, California American Water respectfully requests that the Commission issue its findings and an order to the effect that:

- a. The revenue requirements and associated rates proposed and requested by California American Water are fair, just and reasonable;
- b. California American Water be granted its Special Requests;
- c. California American Water be authorized to publish, file and make effective, as of January 1, 2021 the proposed revenue requirement and associated rates requested or such other revenue requirements and associated rates as will result in the additional gross revenues requested in this Application; and
- d. Granting such further, additional and other relief as may be deemed by the Commission to be necessary or proper.

Dated: July 1, 2019

Respectfully submitted,

By: /s/ Sarah E. Leeper
Sarah E. Leeper

Sarah E. Leeper
Attorney for Applicant
California-American Water Company

VERIFICATION

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on July 1, 2019 at San Diego _____, California



Richard C. Svindland, President